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Why Top CFOs are Transforming Statutory Reporting With Technology

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As global regulators seek to minimize corporate tax avoidance and increase transparency among multinational enterprises, the role of the tax, accounting, and finance departments has been elevated to new heights. With new and evolving statutory reporting requirements as well as intense scrutiny on tax practices, forward-thinking organizations are realizing the importance of empowering their accounting, finance, and tax departments with the tools they need to not only maintain compliance in a complex environment, but to also develop a global strategy focused on minimizing risk in response to changes in regulations, accounting standards, and tax law, and driving better business decisions.

As a CFO, if you haven't yet made updating your global strategy a priority, the time is now. Consider this scenario: You're reviewing statutory reports with the board and one member asks a question related to your company's risk mitigation when it comes to global tax exposure. Or, one of them presses you on your strategy for country-by-country reporting. Could you answer these questions with certainty? Suppose the Audit Committee raises a concern on the level of controls in place and would like to better understand the viability or existence of a meaningful audit trail. What would your response be?

What can you do to better support your accounting, finance, and tax operations?

As both board members and shareholders increasingly realize the importance of a company's global footprint, it's critical to support your accounting, finance, and tax departments as they strive to remain compliant amidst an ever-changing global landscape and enable them to build a strategy that complements the long-term vision of your company. Whether you're developing new products, expanding into new jurisdictions, or considering potential acquisition targets, tax structuring and compliance are critical components of major business decisions. So, what can you do to better support your accounting, finance, and tax operations?

First: Understand the challenges

Filing financial statements is a legal obligation in most countries around the world. Complexities around country-specific regulations make compliance a challenging task. Your company's reputation could be at risk because statutory financial reports are on public record in most countries. In certain countries, like the Netherlands, directors of a legal entity are held personally liable for unpaid tax debt. Also, in most countries, you can't apply for any governmental contracts unless financial statements are filed with the RFP. And it's only a matter of time before regulators start to connect the dots between statutory reporting, BEPS regulations, tax returns, local VAT compliance, etc.

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Typically, the complex process of statutory financial reporting is managed by local finance teams, outsourced to audit firms, or some combination of both. Within most multinational accounting departments, statutory reporting processes are still overwhelmingly manual, with spreadsheets being the primary vehicle for data collection and report generation. In today's world, this antiquated approach will no longer suffice. Spreadsheet-based processes bring with them major inefficiencies in terms of wasted time, inaccurate data, and delayed reporting. Given the potential for monetary or reputational consequences, leading multinational organizations are taking a vested interest in harmonizing their people, processes, and data using technology to take ownership and control of their statutory reports.

Historically, it has been easier to leave this process with the local controllers and know that the job is getting done. As a CFO, you have many pressing issues on your plate. Stepping in to what is deemed a "working" process and changing it up is not usually at the top of this list. However, it doesn't have to be difficult. Leading multinational corporations have paved the way for shifting locally managed reporting obligations to regional and centrally managed centers by leveraging technology that is integrated with globally curated content. In years past, only manual transactional processes like A/P or A/R were centralized, but as organizations evolve, we are increasingly seeing the centralization of statutory reporting for a more standardized and efficient process. Tax may soon follow.

Second: Identify the right tools and resources

When it comes to optimizing statutory reporting, your people, processes, and technology solutions must all work in harmony. As technology becomes more and more of a necessity in the corporate tax department, so do team members who are tech-savvy — or at least take an interest in learning more about how technology can help them do their jobs better. Some organizations are even creating technology-specific positions within their tax, accounting, and finance departments to ensure they are getting the most out of their investment in technology.

Secondly, it's important to have a deep understanding of your current statutory reporting processes so you know what needs to be improved and the ways in which technology can make a difference. Keep in mind that your end goal is to develop a consistent statutory reporting process for all regions in which you do business.

When you are ready to choose a statutory reporting technology solution, look for one that offers a centralized platform to reduce the time spent on data collection, data manipulation, and multiple report iterations. Additionally, country-specific regulations and local language requirements should be built in, so your accounting professionals can ensure compliance in any country around the world. And, with integrated legislative updates, your team can redirect the time they'd normally spend on research and formatting to more value-added activities, like strategic planning, data analysis, and understanding their part in executing on the company's vision.

Third: Realize the benefits

Our analysis shows that the typical accounting team that has employed software for managing their statutory reporting process has reduced the number of drafts by up to 8 times. Spread that across 30+ countries and the result is meaningful efficiency gains.

For further proof, consider this example. A major retailer with 60 entities reduced the time taken to produce annual/quarterly reports required by local regulator organizations (like the SEC) from 9 months to 6 months by implementing a statutory reporting software solution. That's what the latest advances in technology can do — save your company three months of time. Time that can be re-invested into high-value, strategic activities.

Integration within a centralized platform also ensures your quarterly tax provision is accurate, as data flows seamlessly from one module to the next.

Audit defense capabilities are also significantly improved with technology. Users can easily reconcile the walk from GAAP to local statutory, and effortlessly load general ledger data in multiple formats with audit trails for all data sources. Integration within a centralized platform also ensures your quarterly tax provision is accurate, as data flows seamlessly from one module to the next.

A longer-term benefit is that technology supports the move to a Shared Service Center or Global Process Services model. Recently, both a multi-billion-dollar conglomerate and a global food and beverage company implemented a centralized technology platform and used it to develop a standard statutory reporting process. The result was full oversight and control of their global financial reporting obligations. With a solid foundation for a Global Process Services model, they consolidated core business activities, like statutory financial reporting and tax compliance functions. In the end, benefits to these companies included a significant reduction in the time and cost associated with multiple iterations by audit teams, lowered third party costs, shortened "cycle time", less manual spreadsheet work, the creation of a central data repository, and easy access to audit documentation.

Better insights drive better business decisions

"Having a single process for all the accounting, from U.S. GAAP down through to statutory reporting and compliance at the local level, is a powerful asset for our financial team and therefore for our business," explained a client-side program manager.

So whether your tax, accounting, and finance operations are locally-based, centralized, or otherwise, investing in the right tools and resources optimizes your company's ability to meet evolving regulatory requirements and gives your team the time it needs to focus on planning, strategy, and analysis. It's this shift in focus that results in better insights for you, better business decisions for your company, and greater returns for your shareholders.

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